EIP Steering Committee
November 5, 2004

Agenda

- Model Review
- Cost Impacts
- Peer State Progress
- Governance
- Transition Roadmap

Discussion Overview

Impetus for the study:

- The Legislature is looking for Value from Information Technology investments, to be more responsive, and cost effective by asking…
  - *How can investments in technology add Maximum Value to the State?*
  - *How can we increase cost effectiveness on a statewide basis?*
  - *How can we provide a greater focus on the core mission of the State?*
  - *How can we effectively manage Scarce Resources and improve service delivery?*
- An 'Impact Assessment' was conducted across a framework of three performance levels: Process, Technology, and Organization

A “Common Executive Vision” of eight critical performance directives was established by the Department Directors during the critical success factor interview sessions. These are common elements across all 43 department units involved in the EIP assessment process.

Note: For purposes of this presentation and other EIP reports, the term “Department” means the Agencies and Departments defined in the EIP Assessment scope unless otherwise stated.

Iowa Common Business Drivers

1. Security
   1. *User access*
   2. *Homeland Security*
   3. *Intrusion Detection*
2. Data Management
   1. *Integrity*
   2. *Accessibility*
   3. *Storage*
3. Regulatory
   1. *Compliance*
   2. *Federal /State Programs*
4. Cost Management
   1. *Effectiveness/Efficiencies*
   2. *Avoidance*
5. Service Delivery
   1. *Problem Management*
   2. *Change Management*
   3. *Service Level Agreements*
6. Business/Constituent Alignment
   1. *Funding Process*
   2. *Constituency Alignment*
   3. *Strategic Focus*

Based on Departmental Executive and staff interviews and surveys, the 6 common Business Drivers have been identified as shown above. Sub category items are shown for clarity.

Defined Gaps to Focused Actions

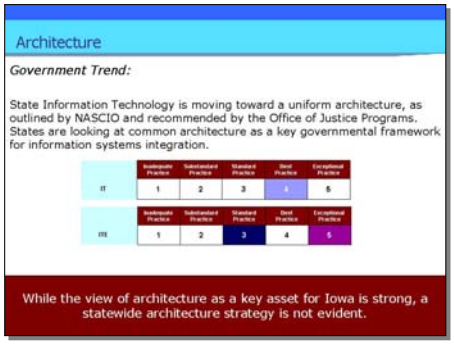
- Seven Gaps were Identified which help define key recommended actions and organizational focus areas
  - *Project Management & Service Delivery*
  - *Require a Technology Architecture*
  - *IT/Depart Align and Planning*
  - *Business Acumen & CRM Interaction*
  - *Sourcing Strategy & Supplier Mgt.*
  - *Reporting & Measurements of IT Value*
  - *Business Recovery and Issue Mgt*

Critical Gaps were defined between Departmental IT, ITE and the Departments. Expectations, business requirements and perceptions show specific Gaps which require “Best Actions” to address and resolve. Many of these Gaps are addressed in the functional components within each of the three Alternative organizational models.

Top 7 Critical Gaps need to be addressed and closed

- **Project Management & Service Delivery**
- **Require a Technology Architecture**
- **IT/Depart Align and Planning**
- **Business Acumen & CRM Interaction**
- **Sourcing Strategy & Supplier Mgt.**
- **Reporting & Measurements of IT Value**
- **Business Recovery and Issue Mgt.**

Closing the Gaps With Departments



Each of the Gaps were compared to “Best Practices” as well as related to emerging Government trends from Coeur Research and other trend sources.

Project Management and Service Delivery

Government Trend:

Early efforts in changing Public Policy Investment Strategies will alter IT projects funding, primarily through effective "Portfolio Management Strategies" and Enterprise Program Management Office's, enabling greater flexibility for cross-silo'd Jurisdiction implementation.

	Inadequate Practice	Substandard Practice	Standard Practice	Best Practice	Exceptional Practice
IT	1	2	3	4	5

	Inadequate Practice	Substandard Practice	Standard Practice	Best Practice	Exceptional Practice
ITE	1	2	3	4	5

The state departments perceive a strong project portfolio management and governance process internally, however there has been limited observations of this practice in the state.

A primary finding was that the Project and Portfolio management capability exists across department barriers. Limited , Project Management (PM) practices are in evident and mature in nature. A clear business requirement is for IT to have professional certified Project Management responsible for project implementation.

Statewide Process and Program Conclusions

Key Recommendations

4 Process Improvements

- *Governance Process*
- *Architecture Standards*
- *Enterprise Portfolio Management Office*
- *Centralized Sourcing and Procurement Strategy*

4 Program Initiatives

- *Leverage Common Statewide Infrastructure*
- *Data Center Consolidation—facilities, servers, midrange equipment, etc.*
- *Hardware Lifecycle Program*
- *Application Inventory and Consolidation*

Programs and Processes must be tightly integrated with the recommended Alternatives to achieve maximum impact and leverage of the Iowa's Technology.

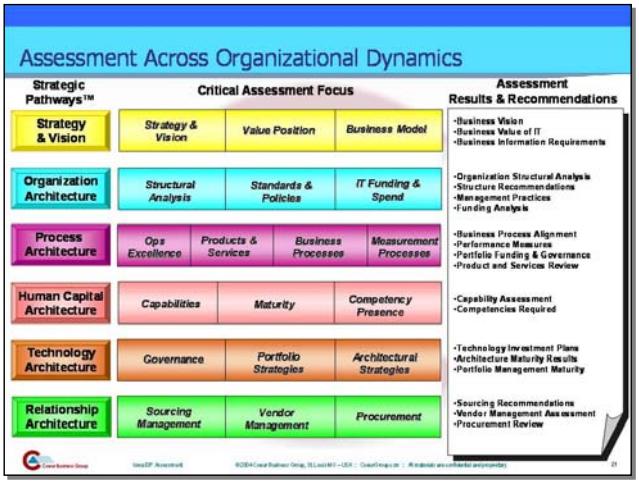
These programs and processes are closely integrated with the recommended alternatives. As stand alone activities, these recommendations will not provide the leverage and impact due to lack of organization focus.

Organizational Assessment Model

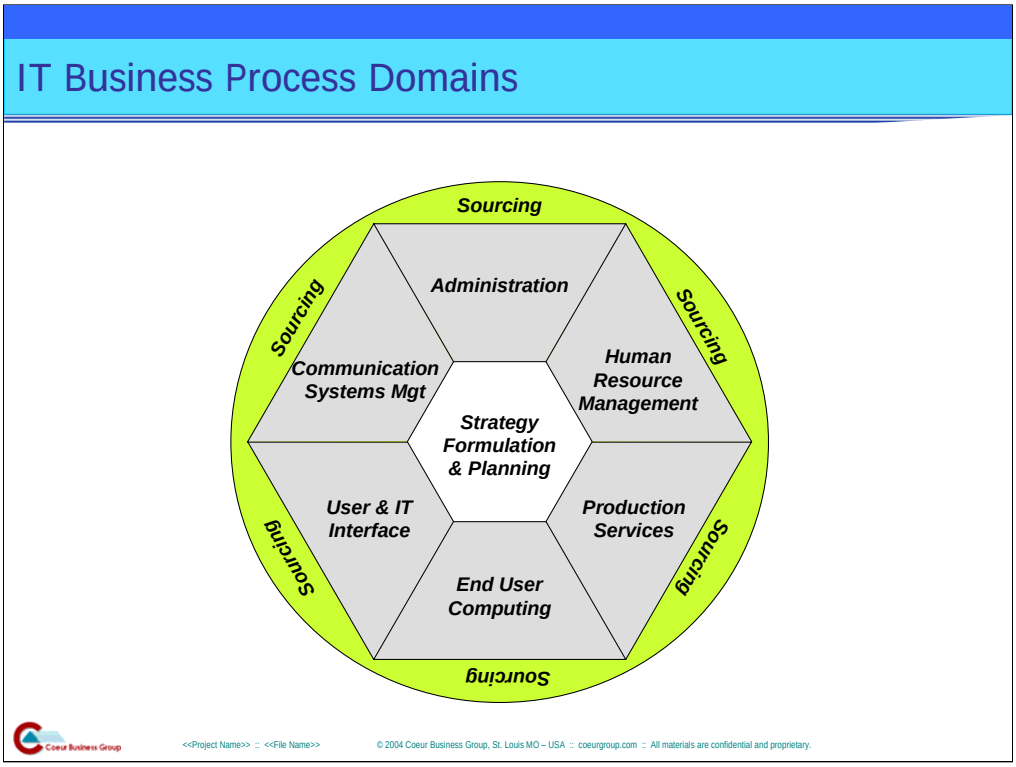
Supporting the State's Operations

- Value of IT to the State
- Increase Effectiveness
- Leverage Assets and Resources
- Define Maturity of Infrastructure
- Scorecards & Measures
- Generate and Capture Value
- Portfolio Management Capability
- Governance Methods/Processes
- Transformation Capabilities
- Collaboration & Innovation
- Credibility and Dependency

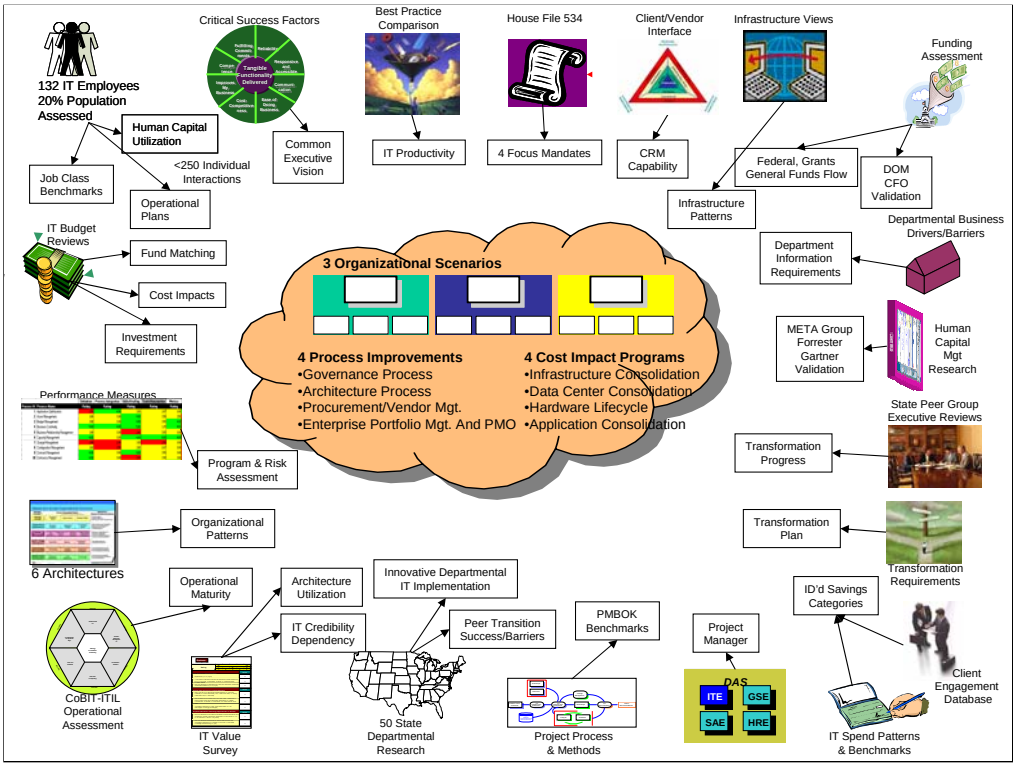
Assessment Pathways



The EIP assessment framework was viewed across 6 critical architectures defining the requirements of the Departments and their business focus.



Specific operational IT Business domains were reviewed against industry standards from the Control Objectives for IT (CoBIT), and the Information Technology Infrastructure Library (ITIL). Both these standards based assessments provided a top level view of operational maturity levels and capacity for change from an operational perspective.

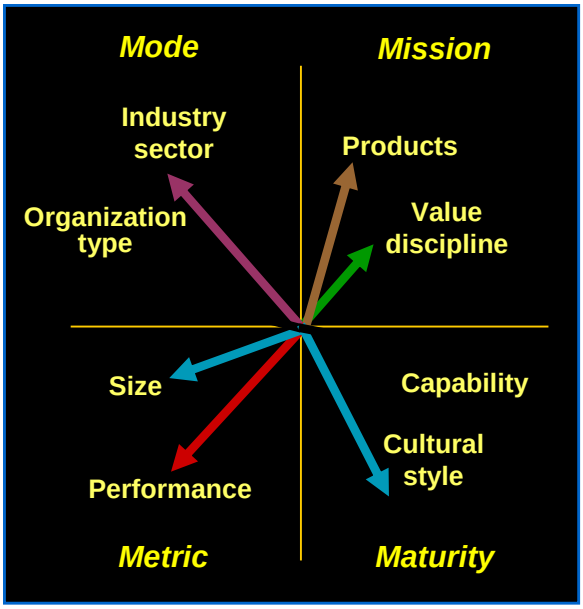


This chart illustrates the complexity of methods and tools utilized to perform the EIP assessment. While it does not completely depict the underlying intricacies and tools utilized, it does provide a good high level view of how the interconnecting assessment processes helped to guide and shape the outcome of three distinct and custom organization models for the State of Iowa. Additionally, 4 specific statewide process improvements have been identified along with 4 cost impact programs which help address the 4 key questions asked by the House File 534 and EIP assessment scope.

What's the Reality of Today's Department/IT Landscape?

- Departmental Business and IT are inseparable
- IT spending continues to be a major component of each departments expense and plays an ever-increasing role in Department and constituent value creation
- Maximizing and optimizing the value of a department's IT investment portfolio are mandatory
- Adapting IT costs and value structure to public sector conditions in real time is critical

Multivariate Management



To sustain value creation, IT organizations MUST be able to continually calibrate their performance against competitors and market opportunities

IT and Department Executives must evolve a better quantification of the asset value of information and technology investments to demonstrate outcomes in the common language of financial contribution to the departments mission and capability growth.

Acceptance of an asset value as a measure of system contribution to the enterprise provides a base for changing the way systems are planned and managed. It provides a factual foundation for initiatives to increase the current information use, and can strengthen the state's information infrastructure. It enables the linkage between IT activities and departments to become clearer and facilitates further funding

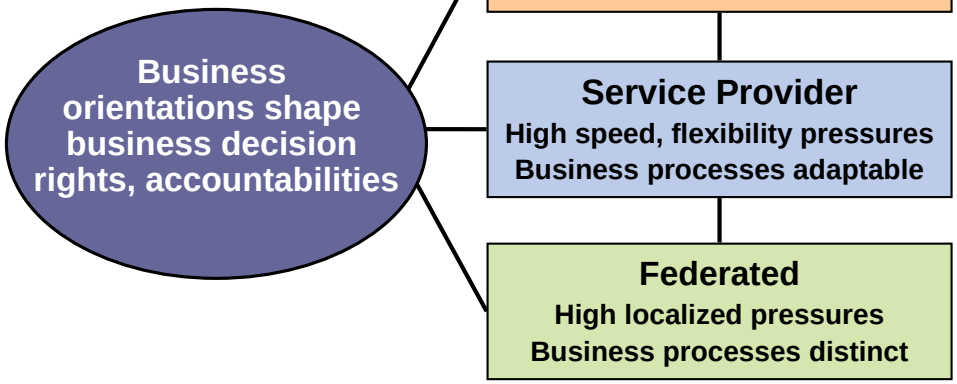
Asset-based planning can provide some discretionary funding to underwrite the strategic maintenance of systems and data (e.g., this activity must extend beyond the narrow focus of hardware expenses)

IT organizations must identify, define, create, leverage, communicate, and distribute IT value.

IT organizations must measure actual IT usage to leverage intellectual resource capabilities

Finding Balance

Enterprise orientation underpins governance arrangements



Business Orientation

Business orientation shapes business process reach, coordination, and systems

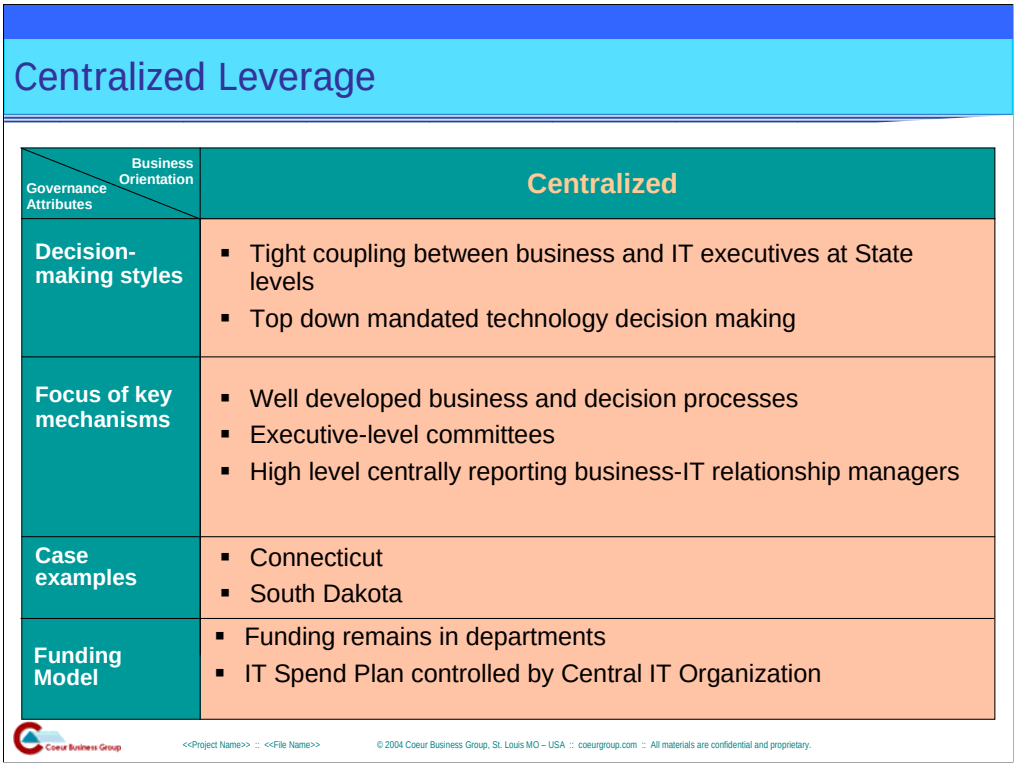
Enterprise Characteristics \ Business Orientation	Centralized	Service Provider	Federated Services
Business processes	Direct Reporting, Vendor Management, Central Finance	Modular, adaptable and easily combined Central Procurement	More distinct & independent Central Procurement
Organizational and skills	Specified synergies mandated, shared services	State-wide, front-line responsiveness	Department innovation and flexibility to business demands
Management systems for coordination	Departments focus on both department and state-wide strategy	Adapt to conditions within state-wide organizing logic	Few mandates, just enterprise financial and risk management
Technology Standards	Substantial integrated state-wide architecture infrastructure	Modular capabilities centrally coordinated & architected	Thin layer state-wide, each departments infrastructure tailored

Input and Decision Matrix – Governance Mechanisms

Decision Domain	IT Principles		IT Infrastructure Strategies		IT Architecture		Departmental Application Needs		IT Investment & Prioritization	
Model	Input	Decision	Input	Decision	Input	Decision	Input	Decision	Input	Decision
Centralize	Committee	Governance	Committee	CIO Leadership	Committee	CIO Leadership	Relationship Manager	Committee	Relationship Manager	Governance
Service Provider	CIO's	Committee	Relationship Manager	CIO Leadership	Relationship Manager	CIO Leadership	Relationship Manager	Committee	Relationship Manager	Governance
Federated	CIO's	Committee	CIO's	CIO Leadership	Relationship Manager	CIO Leadership	Relationship Manager	Committee	CIO's	Governance
Current	CIO's	Directors	CIO's	Directors	CIO's	Directors	CIO's	Directors	CIO's	Directors

Governance Mechanisms

Executive Team	**Governance**	**Capital Appropriations**	**Project Prioritization - Annual Reviews**
Directors	**Committee**	**Business Process Ownership**	**Semi-Annual Project Reviews**
IT Leadership	**CIO's**	**Relationship Management**	**IT Principles**

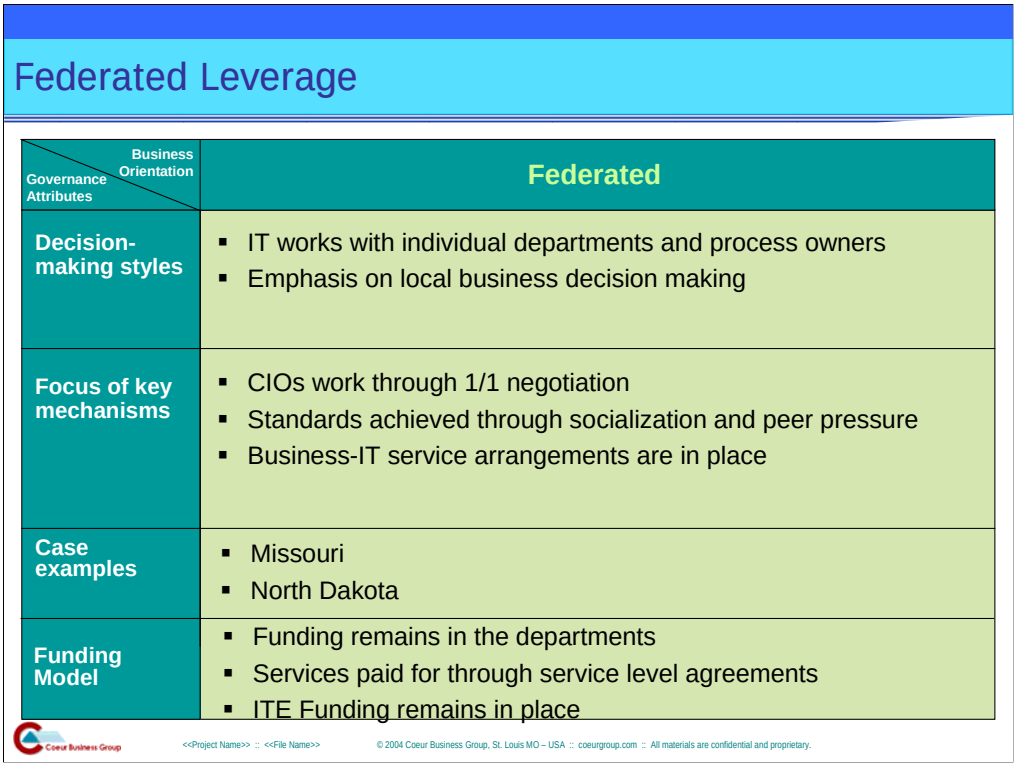


Centralized orientations make greater use of enterprise-wide styles and mechanisms

Service Provider Leverage

Governance Attributes \ Business Orientation	Service Provider
Decision-making styles	▪ Different Department and IT leaders combine for specific purposes ▪ Enterprise-wide arrangements emphasize coordination & learning
Focus of key mechanisms	▪ Extensive use of IT principles ▪ Department ownership of IT projects ▪ Planned IT-business education experiences ▪ Transparency and communication
Case examples	▪ Virginia ▪ Texas ▪ Michigan ▪ Nebraska ▪ Pennsylvania ▪ Delaware
Funding Model	▪ Office of CIO funded by transfer of Department CIO funds and general funds for base operations ▪ Common rate structure established to buy services

A Service Provider organization is agile and utilizes “Best Practices” as a directive force for management decisions.



Autonomous enterprises emphasize business unit decision-making, individual negotiation and peer socialization

Enterprises that foster business unit autonomy provide minimal central guidance. Their goal is to untether the units to compete most effectively in their local markets. Some processes or standards may be mandated, but these are mainly for business and IT infrastructure.

In top-performing enterprises focused on autonomous business units, decision styles in two areas were particularly important.The *Federal* or the *Feudal* style (business units only) was used for *Business Application Needs* and for *IT Investment and Prioritization*.

Autonomous enterprises instill less central guidance that synergistic ones, and the guidance they do give is often arrived at from more bottom-up input and is promoted through socialization approaches – that is, “selling” the concepts to gain buy-in rather than mandating it..

Organizational Status of Peer Groups

Orientation / State	Centralized	Service Provider	Federated	Departmental
Connecticut	GOAL/TODAY			Start
Virginia	GOAL	TODAY	Start	
Texas		GOAL	GOAL*/TODAY	Start
Missouri			GOAL/TODAY	Start
Delaware		GOAL	TODAY	Start
Michigan	GOAL	TODAY		Start
South Dakota	GOAL/TODAY/START			
North Dakota	GOAL		TODAY	Start
Pennsylvania	GOAL	TODAY		Start
Nebraska			GOAL/TODAY	Start

*Health and Human Services goal is federated due to the nature of the department model in the State of Texas.

RACI is used in organizational design to make assignments and designate levels of involvement and responsibility.

RA = Responsible and Accountable (the Decision Maker Role)

CI = Consulted and Informed (the Input Role)

Through the utilization of the RACI model, clear lines of responsibility and authority are defined and assigned in a transition organization.

IT Governance Leverage

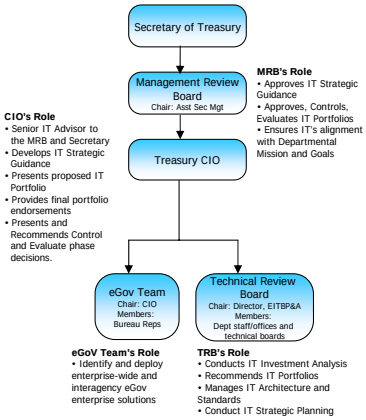
Implement key IT governance styles and mechanisms for your business orientation

Governance Attributes \ Business Orientation	Centralized	Service Provider	Federated
Decision-making styles	▪ Tight enterprise coupling between Department and IT executives ▪ Top down mandated technology decision making	▪ Department and IT leaders combine for specific purposes ▪ Enterprise-wide arrangements emphasize coordination & learning	▪ IT works with individual Departments and process owners ▪ Emphasis on local business decision making
Focus of key mechanisms	▪ Well developed business and decision processes ▪ Executive-level committees ▪ High level centrally reporting business-IT relationship managers	▪ Extensive use of IT principles ▪ Financial ownership of IT projects ▪ Planned IT-business education experiences ▪ Transparency and communication	▪ CIOs work through 1/1 negotiation ▪ Standards achieved through socialization and peer pressure ▪ Department-IT service arrangements are in place
Case examples	▪ Connecticut ▪ South Dakota	▪ Texas ▪ Virginia ▪ Delaware ▪ Pennsylvania ▪ Michigan	▪ Missouri ▪ North Carolina

Governance is the lynchpin of organizational agility and competency. Generation of IT Value begins with clear and responsible governance.

U.S. Department Of Treasury Governance

U.S. Department of Treasury
Investment Review Board Structure



Office of the Chief Information Officer (OCIO):

In addition to establishing the Departmental IT capital investment process, the OCIO reviews and approves all IT initiatives between $5 million and $10 million thresholds. The OCIO also reviews all other IT initiatives over the $10 million threshold and informs the Technical Review Board of the disposition of these initiatives.

Technical Review Board:

The Technical Review Board (TRB) serves as the Department's first-tier review board for all major IT initiatives. The TRB makes recommendations to the OCIO and the MRB. The TRB is comprised of a permanent sub-committee, the Treasury Architecture Working Group (TAWG) and is supplemented by staff from other Treasury offices.

Management Review Board (MRB)

The MRB approves IT strategic guidance; approves, controls, and evaluates Departmental IT portfolio; approves all initiatives over the $10 million threshold; and ensures alignment between IT investments and the mission, goal, and objectives of the Department.

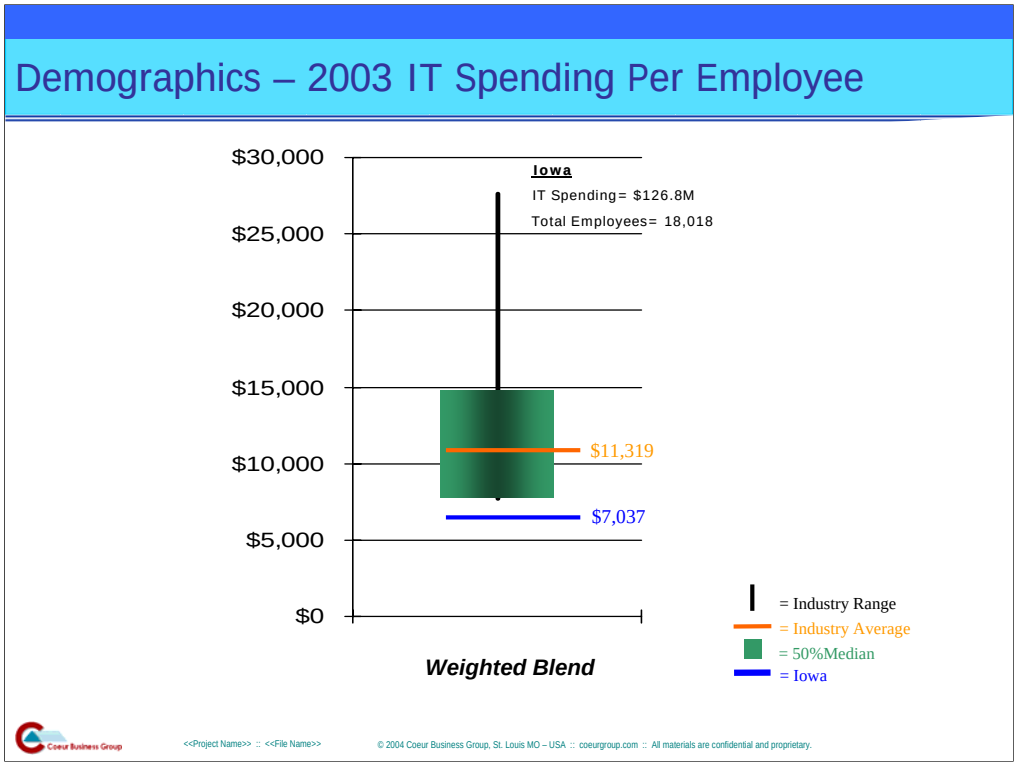
What is the Review Criteria?

Regardless of whether an IT project is a major or small/other, it is reviewed when it it is first proposed for funding (selection) and then throughout the project life cycle before implementation (control). Provided below is the type of information reviewed.

An example of IT Governance can be found on the US Treasury site.

Peer Group
Benchmark Comparisons

Coeur Business Group



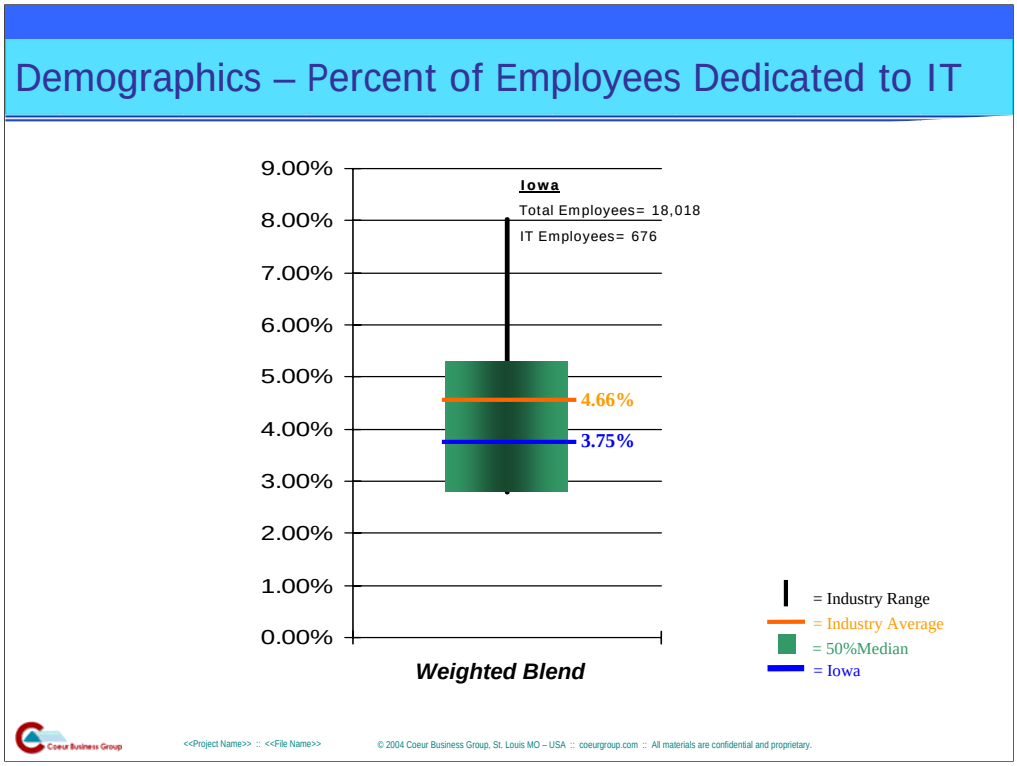
Iowa's Information Technology Economy:

This assessment compared Iowa's Information Technology components to World Wide Benchmarks as well as peer group states and has found a significant deficit in investments in the current Information Technology infrastructure of approximately **30%** less than comparable entities.

Based on research and previous documentation for the State of Iowa, our findings indicate the infrastructure investments have decreased approximately $9 M over the past 3 years.

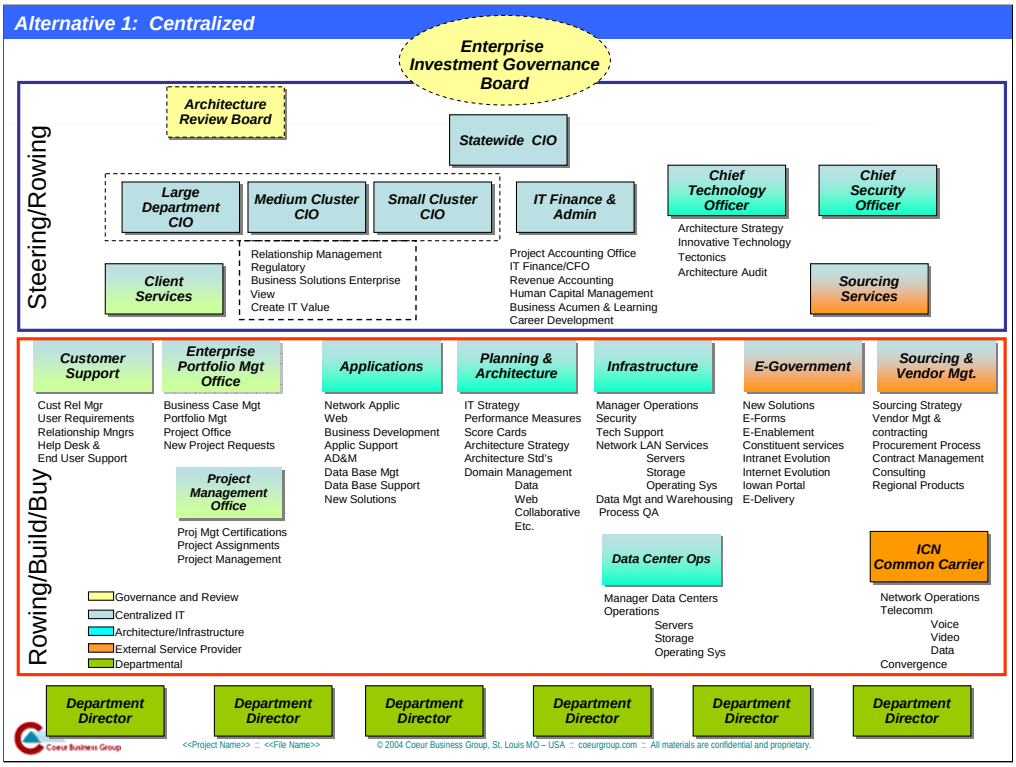
It is ***Highly Recommended*** that any cost savings generated from process and/or organizational consolidation impacts remain captive in the **"Information Technology Economy"** and be reprioritized and reinvested for maximum statewide impact and leverage.

Viewed as an IT Ecosystem, the State of Iowa will require redirected and prioritized investments to be captured and invested by a governance board to ensure the capabilities for technology enablement of the Departmental business now and in the future.



Based on World Wide Benchmarks as well as peer group states, Iowa's Information Technology resource levels are generally comparable and in line for the infrastructure operations workload reviewed.

Centralized
Scenario 1 Detailed



Alternative 1 Centralization

This alternative means "Centralization" of all resources into a single department including technology, human capital, assets and funding. This alternative is mandated by House File 534 and represented in the following description.

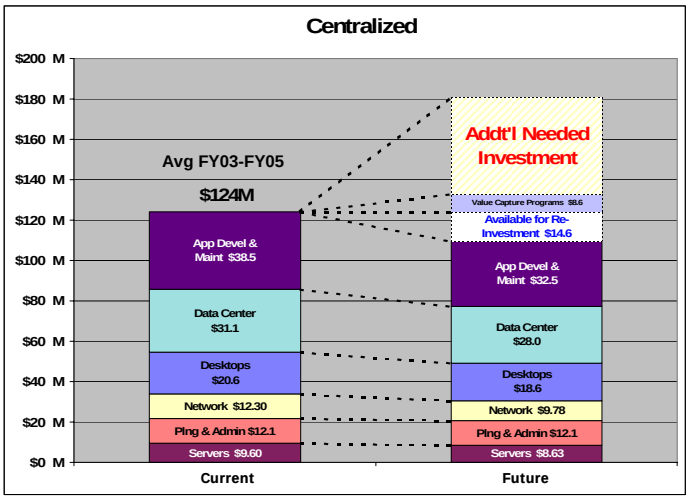
Process Impact: Centralization of all Procurement processes, investment governance, and architectural standards for technology.

Organizational Impact: A State CIO would be appointed by the governor to head this Department and report directly to the Governor. The new State IT organization would provide all Information services and Information Technology to the Departments/Agencies (exceptions include Lottery and Regents) in the State of Iowa. All assets, both technology and human capital, would be transferred into this department. The departments will purchase services from the IT department based on an established rate structure and the departments would receive a monthly invoice for services provided. The New State IT organization would essentially become a sole source provider of technology services for the state.

Funding Impact: Funding is retained in the departments and services are budgeted and paid for through the development of service agreements with the new State IT organization. The central IT management controls the IT spend plan for all services. This model requires strong asset management, a time accounting system, rate for services catalog, accounting systems, invoicing procedures, audit procedures, budget process, reconciliation processes, as well as a skills inventory and career planning process. With strong accounting procedures this model will meet the federal guidelines for matching funds for programs and grants.

Probability of success and Timing Impact: The probability for a successful transition to a Centralized IT organization in the State of Iowa is approximately 50% to 70% with an implementation time of approximately 30 - 48 months from start of initiation.

Centralized



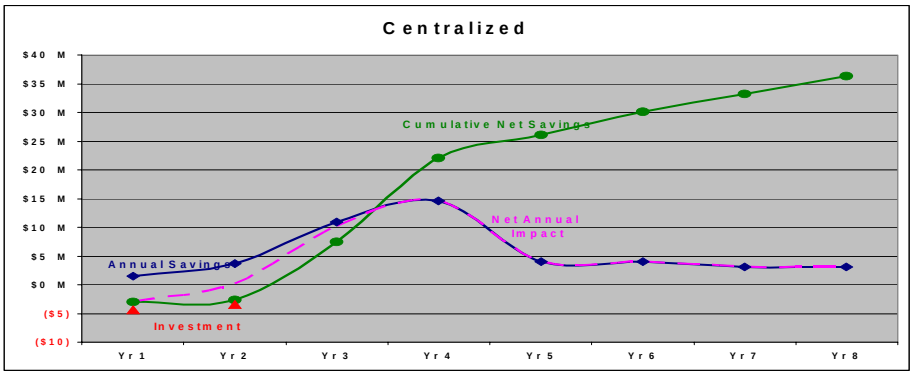
Cost of implementation Impact:

Program implementation cost to generate savings will be ~$8.6M

The calculated savings for reinvestment derived from this organizational approach would be approximately 10% to 14% annually over a 5 year period).

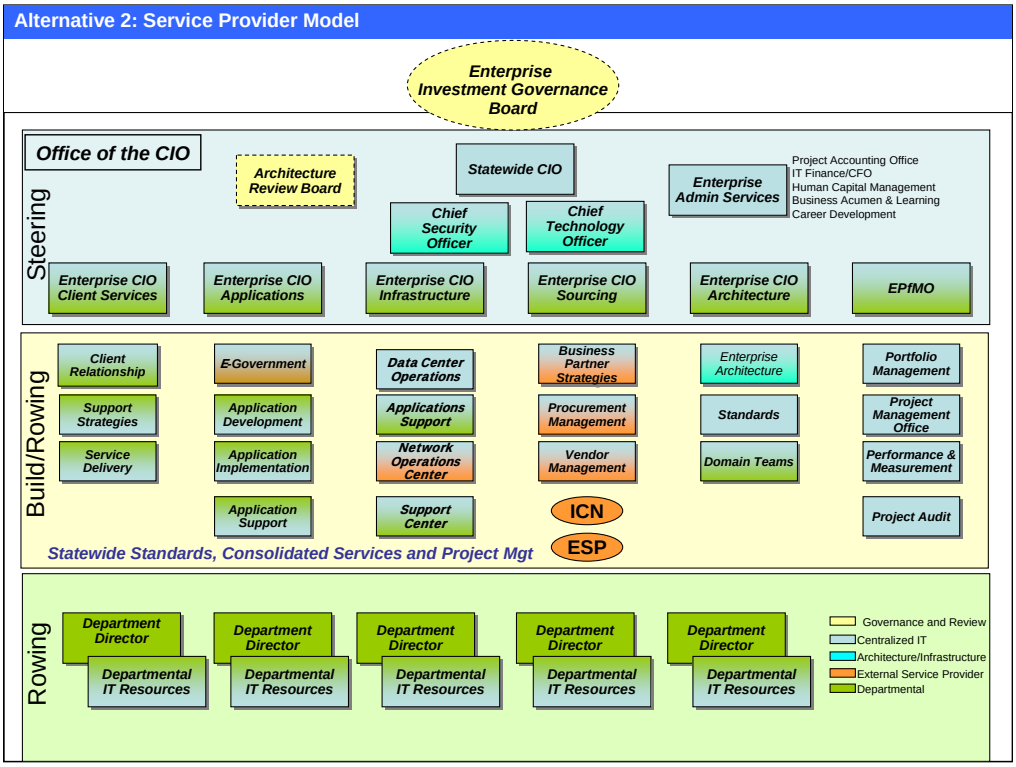
Estimated rate of return: ~$26.1M savings at 306% rate of return

Centralized



Centralized					
5 Year Savings		*Investments*		*Net 5 Year Savings*	*Return On Investment*
Desktops	$4.2	Vendor Mgt/Life Cycle Pgm (Desktops)	($1.5)		
Servers	$3.0	New Architecture Study (Servers)	($0.3)		
Network	$5.3	Vendor Mgt Pgm (Servers)	($0.2)		
Data Center	$9.5	EPfMO Development (Apps Devel & Maint)	($0.8)		
Apps Dev & Maint	$12.7	Architecture Redesign (Network)	($0.4)		
Plng & Admin	$0.0	Vendor Mgt Pgm (Network)	($0.1)		
		Build-out (Data Center)	($3.8)		
		Consulting (Data Center)	($1.5)		
Total Savings	**$34.7**	**Total Investment**	**($8.6)**	**$26.1**	**306%**

Service Provider
Scenario 2



Alternative 2 –Service Provider

This alternative defines the IT as a **"Service Provider"** organization structure which consolidates common infrastructure elements of Information Technology across the state, provides for common standards, clear governance of technology investments, centralized procurement of technology and services, as well as clear focus on mission critical elements of departmental business requirements from IT.

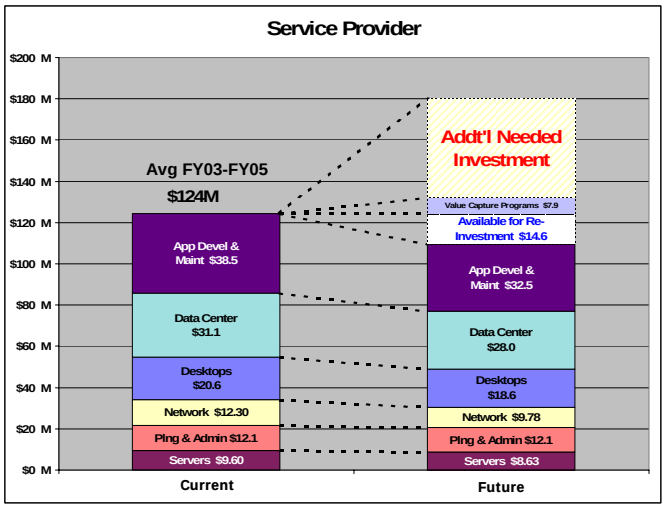
Process Impact: Centralization of all technology procurement, network infrastructure including data centers (enterprise, departmental and client servers), common applications, utilities and network management into an Office of the CIO.

Organizational Impact: A State CIO would be appointed by the governor to head the Office of the CIO and report directly to the Director of DAS (current CIO functionality) or alternatively the Governor. The Office of the CIO would provide Information Technology and Information Services common to departments, i.e. network infrastructure in support of transmission of data, voice and video information; electronic messaging services (email, etc.); network operating services; data center operations. All associated common infrastructure assets, both technology and human capital would be transferred into the Office of the CIO, this would include all current Departmental CIO's. Departments would retain resources needed to provide department specific requirements (typically Application Developers).

Funding Impact: Initially, the Office of the CIO would be funded by transfer of Department CIO funds and general funds for base operations. A common rate structure would be established for the departments to buy services from the Office of the CIO or other departments and the departments would receive a monthly invoice for services from the IT finance and accounting group. The Office of the CIO would essentially become coordinator of services throughout the state. Funding is retained in the departments and services are budgeted and paid for through the development of service agreements. This model requires a strong governance board, asset management, cost accounting system, time accounting system, rate for services catalog, accounting systems, invoicing procedures, audit procedures, budget process, reconciliation processes, as well as a skills inventory and career planning processes. With strong accounting procedures this model will meet the federal guidelines for matching funds for programs and grants.

Probability of Success and Timing Impact: Probability of successful implementation of this model in Iowa's current environment are approximately 70% to 85% due to the ability for current departmental resources to continue to focus on Departmental Mission critical aspects, while gaining leverage of common infrastructure services with minimal personnel interruptions. Implementation time frames are generally 24 to 36 months after start of initiation.

Service Provider



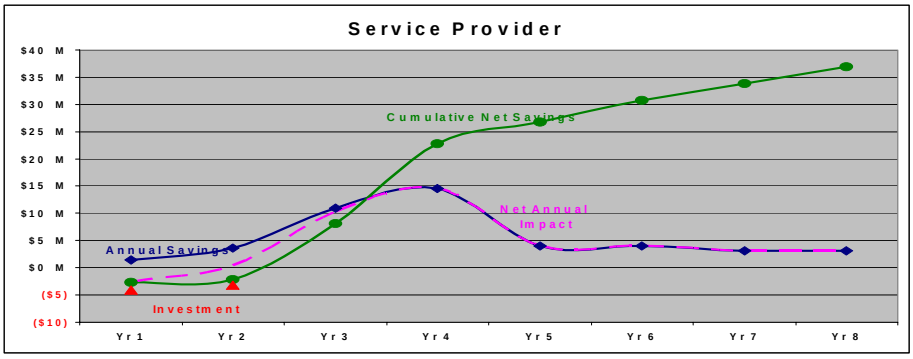
Cost of implementation Impact:

Program implementation cost to generate savings will be ~$7.9M

The calculated savings for reinvestment derived from this organizational approach would be approximately 8% to 15% annually over a 5 year period).

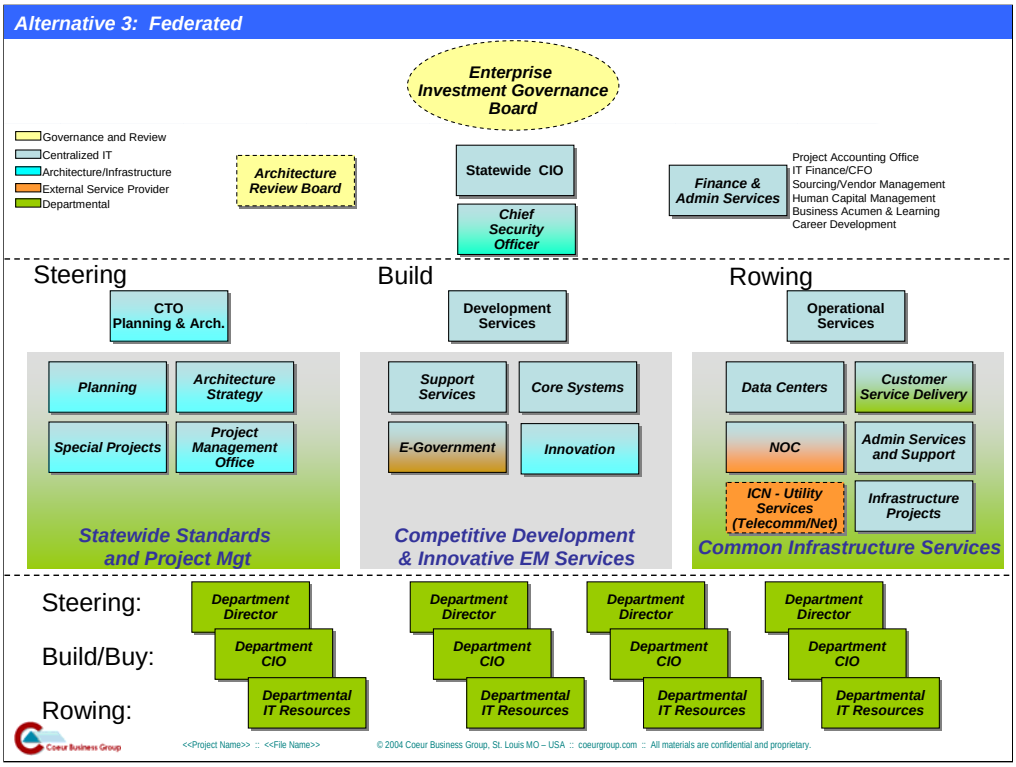
Estimated rate of return: ~$26.8M savings at 339% rate of return

Service Provider



Service Provider					
5 Year Savings		*Investments*		*Net 5 Year Savings*	*Return On Investment*
Desktops	$4.2	Vendor Mgt/Life Cycle Pgm (Desktops)	($1.2)		
Servers	$3.0	New Architecture Study (Servers)	($0.2)		
Network	$5.3	Vendor Mgt Pgm (Servers)	($0.2)		
Data Center	$9.5	EPfMO Development (Apps Devel & Maint)	($0.6)		
Apps Dev & Maint	$12.7	Architecture Redesign (Network)	($0.3)		
Plng & Admin	$0.0	Vendor Mgt Pgm (Network)	($0.1)		
		Build-out (Data Center)	($3.8)		
		Consulting (Data Center)	($1.5)		
Total Savings	**$34.7**	**Total Investment**	**($7.9)**	**$26.8**	**339%**

Federated
Scenario 3



This alternative is focuses on “consolidation” and “centralization” of ***key infrastructure elements*** with most current departmental resources staying in place in much the same manner as today’s environment. Key aspects of this model include centralized governance of new technology investments, centralized planning and procurement and new technology buys procured to a set of standards driven by a central IT Architecture.

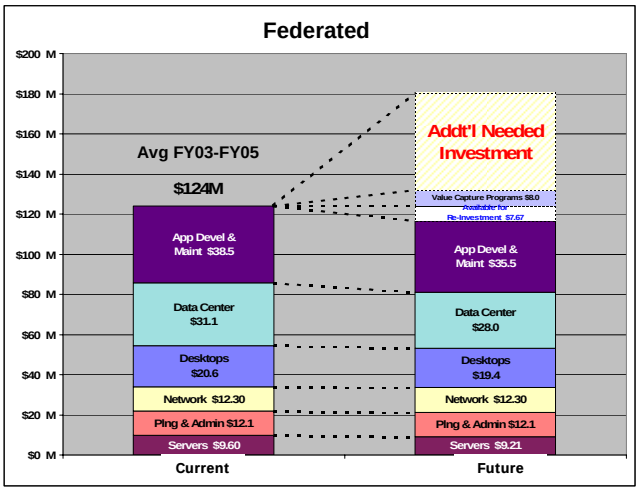
Process Impacts: Centralization of all technology procurement, network infrastructure and common applications and utilities into an expanded Information Technology Enterprise (ITE). A State CIO would be appointed by the governor and or designate, and would report directly to the Director of Department of Administrative Services (DAS). The CIO responsibilities include management of common infrastructure components, applications, utilities and data centers. ITE would provide Information Technology and Information Services related to inter-departmental communication, i.e. network infrastructure in support of transmission of data, voice and video information; electronic messaging services; network operating services; data center operations. State CIO would establish state-wide technology standards, chair the governance board, manage the state IT spend plan, and have at their disposal finance and accounting to ensure compliance.

Organization Impact: Departments would retain intra-departmental network responsibilities. Selected assets, both technology and human capital, would be transferred into ITE. Department CIOs would retain resources needed to provide department specific requirements. A rate structure would be established for the departments to buy services from ITE. Departments would receive a monthly invoice for ITE services from the finance and accounting group. The State CIO would essentially become coordinator of standards throughout the state.

Funding Impact: Funding is retained in the departments and services are budgeted and paid for through the development of service agreements. Current funding for ITE resources remain in place. This model requires a strong governance board, asset management, cost accounting system, time accounting system, rate for services catalog, accounting systems, invoicing procedures, audit procedures, budget process, reconciliation processes, as well as a skills inventory and career planning process. With strong accounting procedures this model will meet the federal guidelines for matching funds for programs and grants.

Probability of Success and Timing Impact: Probability of successful implementation of this model in Iowa’s current environment are approximately 60% to 70% due to the ability for current departmental resources to continue to focus on Departmental Mission critical aspects, while reporting directly to the department heads. Implementation time frames are generally 18 to 24 months after start of initiation.

Federated



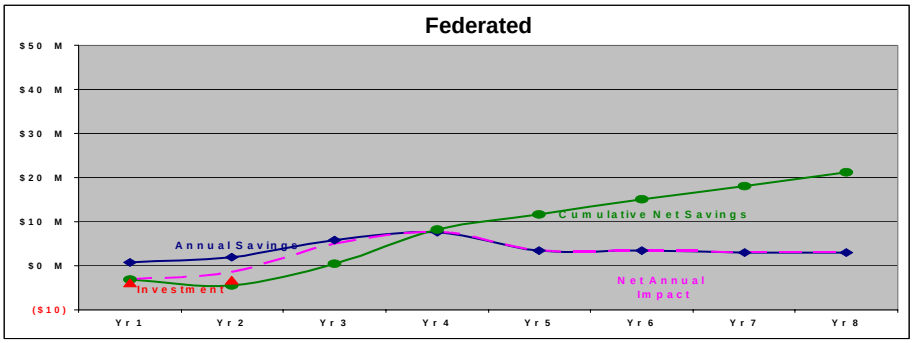
Cost of implementation Impact:

Program implementation cost to generate savings will be ~$8.0M

The calculated savings for reinvestment derived from this organizational approach would be approximately 3% to 9% annually over a 5 year period).

Estimated rate of return: ~$11.6M savings at 145% rate of return

Federated



Federated/Shared Services					
5 Year Savings		*Investments*		*Net 5 Year Savings*	*Return On Investment*
Desktops	$2.5	Vendor Mgt/Life Cycle Pgm (Desktops)	($1.8)		
Servers	$1.2	New Architecture Study (Servers)	($0.2)		
Network	$0.0	Vendor Mgt Pgm (Servers)	($0.2)		
Data Center	$9.5	EPfMO Development (Apps Devel & Maint)	($0.5)		
Apps Dev & Maint	$6.3	Architecture Redesign (Network)	$0.0		
Plng & Admin	$0.0	Vendor Mgt Pgm (Network)	$0.0		
		Build-out (Data Center)	($3.8)		
		Consulting (Data Center)	($1.5)		
Total Savings	**$19.6**	**Total Investment**	**($8.0)**	**$11.6**	**145%**

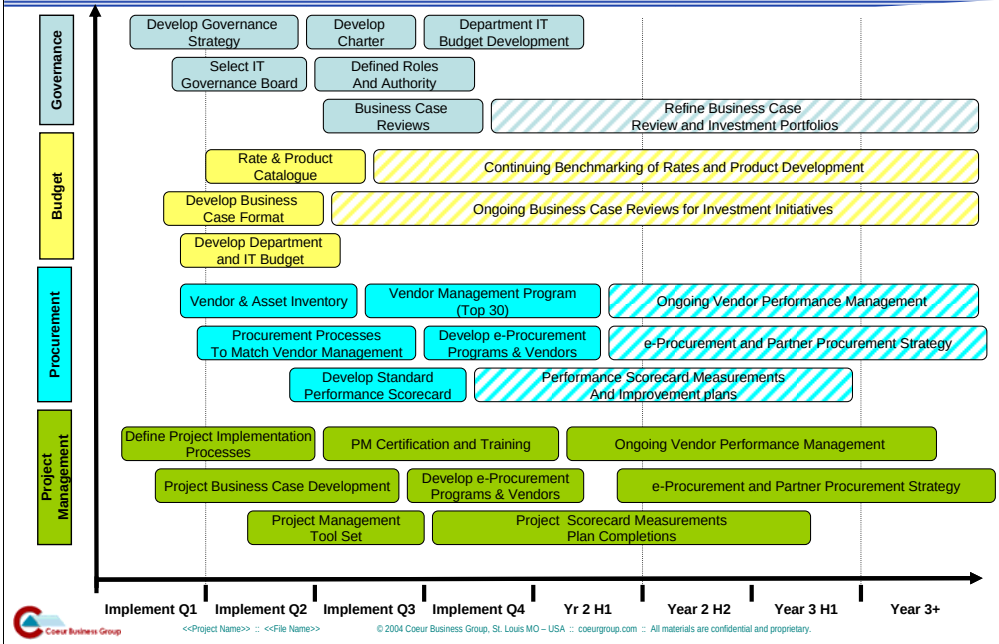
Scenario Financial Comparison

	Centralized	Service Provider	Federated/Shared Services
5 Year Savings			
Desktops	$4.2	$4.2	$2.5
Servers	3.0	3.0	1.2
Network	5.3	5.3	0.0
Data Center	9.5	9.5	9.5
Apps Dev & Maint	12.7	12.7	6.3
Plng & Admin	0.0	0.0	0.0
Total Savings	**$34.7**	**$34.7**	**$19.6**
Investments			
Vendor Mgt/Life Cycle Pgm (Desktops)	($1.5)	($1.2)	($1.8)
New Architecture Study (Servers)	(0.3)	(0.2)	(0.2)
Vendor Mgt Pgm (Servers)	(0.2)	(0.2)	(0.2)
EPfMO Development (Apps Devel & Maint)	(0.8)	(0.6)	(0.5)
Architecture Redesign (Network)	(0.4)	(0.3)	0.0
Vendor Mgt Pgm (Network)	(0.1)	(0.1)	0.0
Build-out (Data Center)	(3.8)	(3.8)	(3.8)
Consulting (Data Center)	(1.5)	(1.5)	(1.5)
Total Investment	**($8.6)**	**($7.9)**	**($8.0)**
Net 5 Year Savings	**$26.1**	**$26.8**	**$11.6**
Return on Investment	**306%**	**339%**	**145%**

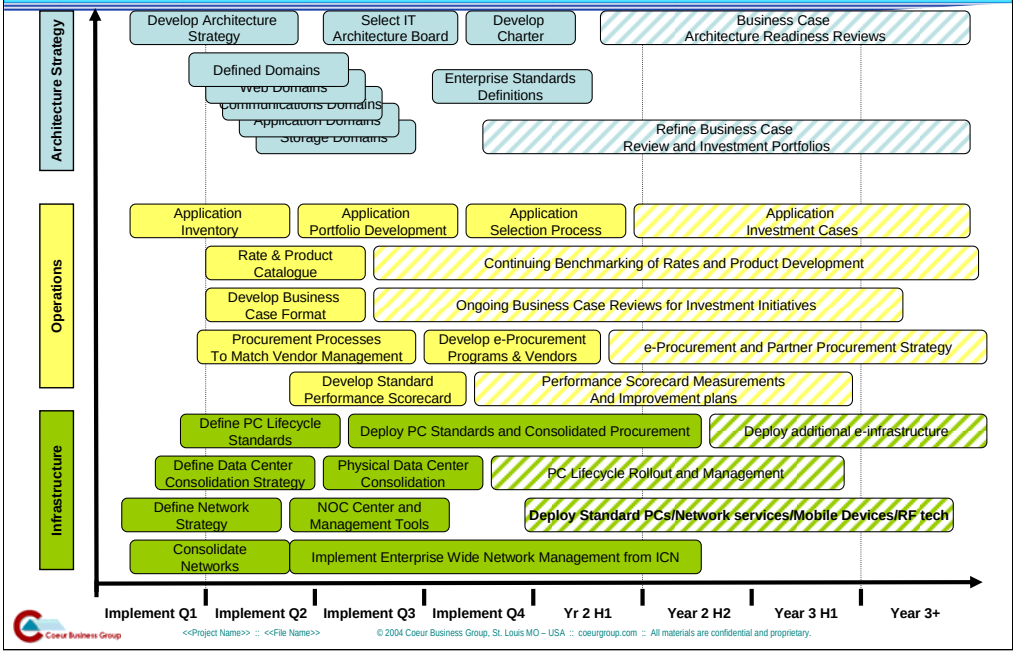
Transformation

High level Plan

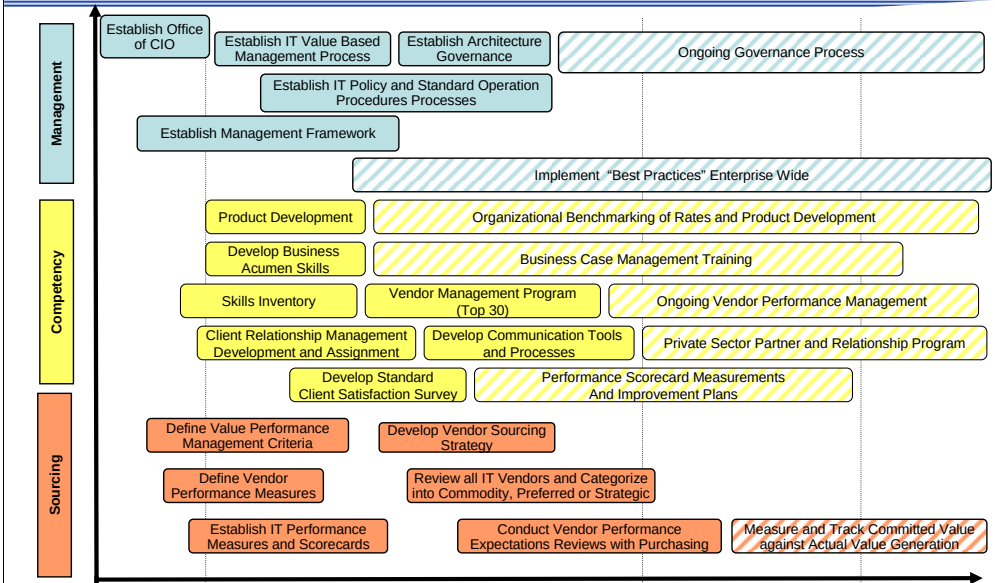
Process Transition Overview



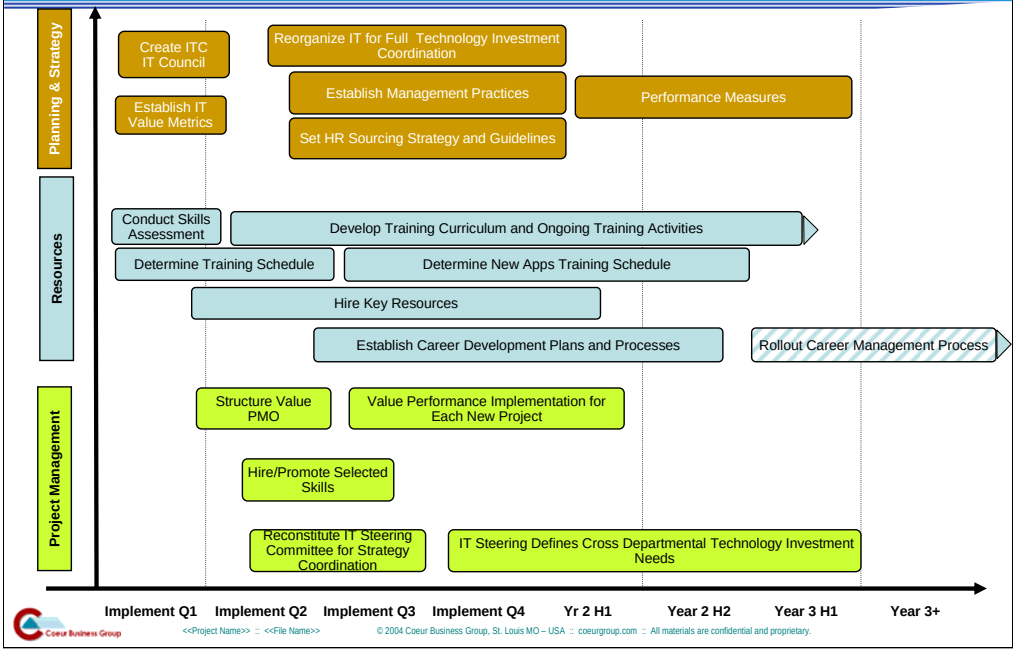
Technology Transition Plan- Overview



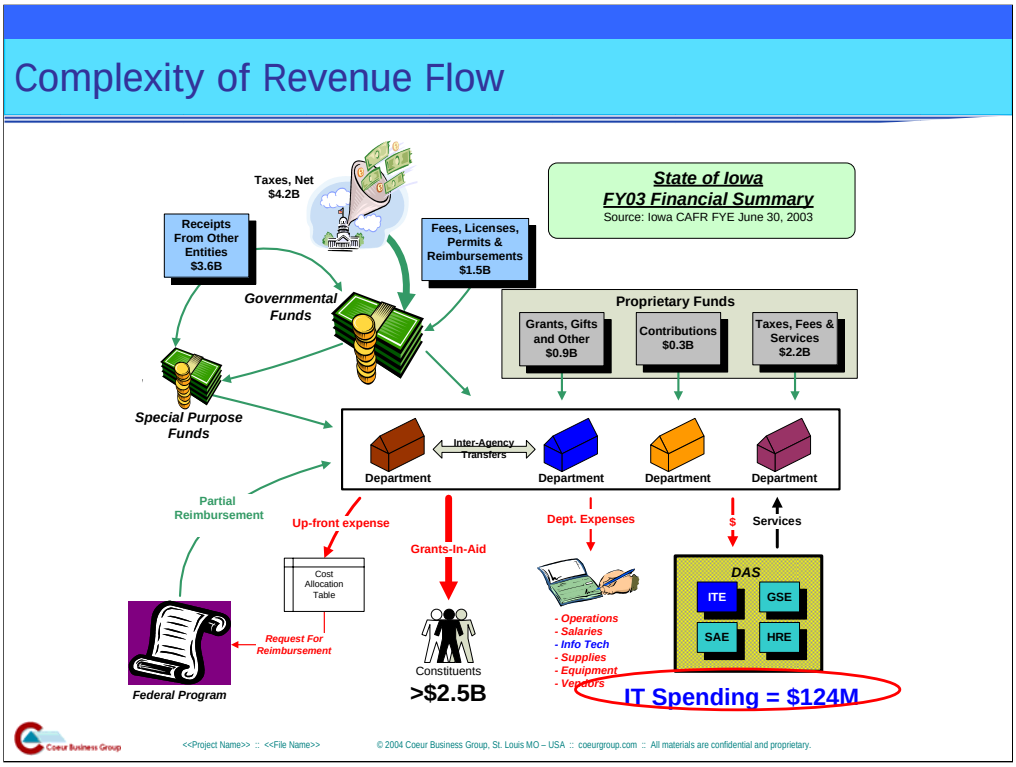
Organization Transition Plan- Overview



Organization Transition Plan- Overview

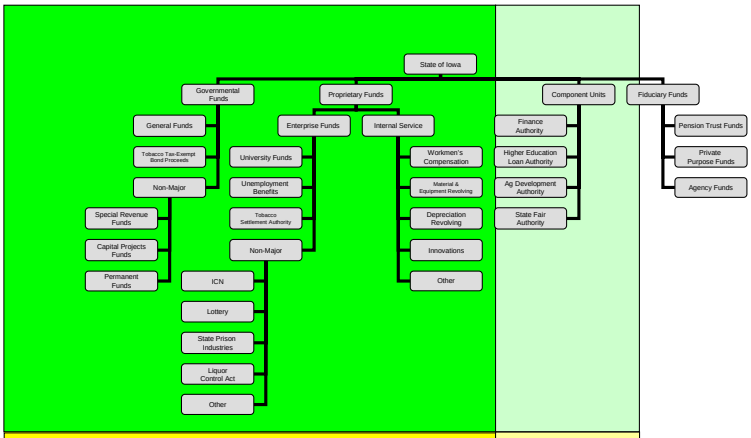


Financial



This chart illustrates the complexity of funding and resource disbursement throughout the State of Iowa. While it does not completely depict the underlying intricacies, it does provide a good high level view of how funds flow from various sources through the departments to finance operations and constituent support. Primary source of funding is the General Fund (Governmental Funds) with additional resources provided directly to the departments through the Proprietary Funds channel. Primary complexities are introduced through the myriad of Federal and other program reimbursement schemes that require sophisticated cost allocation methodologies to maximize program resources. (Source data for this chart is the Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2003.)

Iowa Fund Structure



Primary Revenue Sources

•Taxes	$4.9B
•Receipts From Other Entities	$3.6B
•Charges for Service	$3.1B
•Other	$2.0B
Total	**$13.5B**

Primary Expenses

•Human Services	$3.4B
•Education	$2.6B
•Personal Services	$1.5B
•Admin & Reg	$1.2B
•Transportation	$1.0B
•State Aid to Univ	$0.7B
•Justice & Pub Dfns	$0.6B
•State Aid & Credits	$0.4B
•Other	$2.0B
Total	**$13.4B**

Revenue Sources

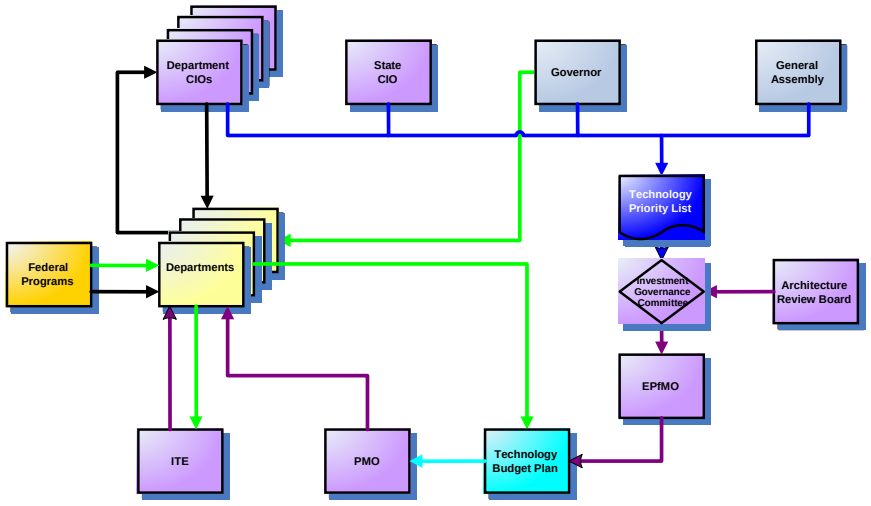
•Charges for Service	$0.09B
•Contributions	0.05B
Total	$0.14B

Expenses

•Direct Expenses	$0.06B
Chg in Net Assets	$0.08B

This chart provides further evidence of the complex nature of the State of Iowa's Fund structure. The darker green section represents the primary government activities and the framework established to track the funding and expenses of most governmental operations. The lighter green section represents other operations that are legally separate form the State of Iowa, but for which the State is financially accountable. The white section represents Fiduciary Funds. These funds represent assets held by the State as trustee or agent for others. Because the State cannot use these assets to finance operations they are not included in government-wide financial statements. (Source data for this chart is the Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2003.)

Funding Process – High Level Diagram



Recommendation

Coeur Group Recommendation:

Coeur Group recommends a progressive and immediate movement to Alternative 2 over the next 36 to 48 months. This progression reduces failure of the organization transition, maximizes savings accrual and provides all new technology investments a governance method and structure for prioritizing technology investments. Additionally, a major area of leverage will be centralized procurement of technology to defined and managed statewide technology standards.

Comments

&

Questions